

**Comments on the Committee Workshop on the Potential Need for
Emission Reduction Credits in the South Coast
Air Quality Management District
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Calpine commends the Commission and its staff for hosting a constructive workshop on an important policy issue which has the potential to affect not only the Los Angeles Basin, but other parts of the state as well. The workshop highlighted the complicated interplay between environmental regulation and operational constraints of the bulk power system, many of which are not transparent, even to active participants in wholesale power markets. As many of the panelists noted, there are no easy solutions to issues associated with the Priority Reserve and the limited availability of Emission Reduction Credits more generally.

Calpine takes this opportunity to comment on one aspect of a solution proposed by the CAISO. At the workshop, a CAISO representative noted that "priority should be given to power plants who want to repower." In context, we interpret his comment as implying that the once-through cooling (OTC) units at sites at which re-powerings have already occurred should be retired first, indicating a presumption that the reliability issues associated with the retirement of OTC units will be resolved through re-powerings.

Calpine fully supports the CAISO's reliability objectives but suggests that competitive procurement be used to fulfill them to the extent possible. Competition should be based on objective and appropriately general characterizations of reliability and other requirements. For example, presumably many of the Western LA Basin requirements to which the CAISO's workshop presentation referred repeatedly could be satisfied by plants at many locations in the Western LA Basin, not just plants at the sites of the existing OTC units. Consequently, Calpine recommends that OTC units be retired not when re-powerings are in place at the sites of the units to be retired but when appropriate amounts of new resources in suitable locations and/or transmission are in place to support reliability.